

Honourable Councilors

Traditional Leaders

Religious Leaders

Representatives from various community structures

Representatives from various government departments

Municipal officials

Members of the Media

Comrades and friends

Ladies and gentle men

A very warm greeting to you all.

It is indeed a great honour and privilege for me to address you during this momentous occasion. We are bringing to an end another successful financial year and ushering diligently into 2012/2013 financial year with pride, courage and enthusiasm. This occasion clearly indicates that an effective financial management system is the foundation of sound financial management.

I would like to commend our highly competitive government for coming up with interventions aimed at improving access to the delivery of public services. It is envisaged that the initiatives are among other things, assisting in the removal of service delivery backlogs and strengthening contact between government and the people. That is one of the cornerstones for excellence in Musina Local Municipality.

During his inauguration on the 9<sup>th</sup> of May 2009, President Jacob Zuma made a commitment that the government will do everything to make sure that all South Africans enjoy the fruits of our hard earned freedom and democracy.

I quote: "For as long as there are South Africans who die from preventable diseases, for as long as there are workers who struggle to feed their families and who battle to find work, for as long as there are communities without clean water, decent shelter or proper sanitation, for as long as there are rural dwellers unable to make a decent living from the land on which they live, for as long as there are women who are subjected to discrimination, exploitation or abuse, for as long as there are children who do not have the means nor the opportunity to receive a decent education, we shall not rest, and we dare not falter, in our drive to eradicate poverty." I close quote.

Musina Municipality fully supports the view of the state president and we will work day and night to make sure that these views are turned into reality.

Ladies and Gentlemen, this budget comes at a time when the world is faced with increasing food and escalating fuel prices. These are all the effects of globalization and as a municipality, we are also part of this unpleasant situation. Times like this call on all of us to focus and be involved in economic activities that will empower ourselves and our fellow countrymen. Although things are difficult, we need to hold hands and face the future in the spirit of Vuk' Uzenzele.

The Budget Estimates we are presenting tonight were done in line with our Integrated Development Plan. The IDP remains a cornerstone of every

developmental and people friendly budget, a critical tool for effective governance and proper planning. This is indeed a culmination of almost 10 months of rigorous consultative process that ensured that we got the views of every community member represented in this budget. We continue to set trends in ensuring meaningful participation of our communities and stakeholders in the planning and implementation of our developmental programmes as mandated by the Local Government Municipal Systems Act of 2000.

We acknowledge the backlog of services that our people are still trapped in. We also understand the poverty level that some of our people still find themselves in. We also accept our limitations due to financial constraints to can meet all the demands for service delivery.

## **OVERVIEW OF THE 2012/2013 BUDGET**

Honourable Councilors, please allow me to present to you an overview of Budget Estimates for 2012/2013 financial year.

### **Capital and operational Estimates**

Our total Capital estimates is ***R14 604 000.00*** and our total operational budget is ***R181 671 000.00***

Hereunder are some of the capital projects we are going to implement in the

2012/2013 financial year:

List the projects and amounts

R 6 204 000	Construction of Malale Sport Centre
R 2 000 000	Construction of Building/Thusong centre nancefield Ext 8
R 4 600 000	Construction of Building/Thusong centre nancefield Ext 8
R 1 800 000	Nancefield Ext 1 Public PARK
<u>R 14 604 000</u>	

I have no doubt that this estimated budget will contribute in making the life of our ordinary people better. We owe this to the mutual understanding that we are here to serve the nation, and when we serve the nation, we forget our political and personal differences and focus on the task at hand. Unity is the only weapon for success. Race is not for the swift, nor battle for the strong, but for those who have hope, courage and determination. I appeal to all councilors in Musina to hold hands and move forward together in the interest of this country, the nation and above all, our hard earned democracy.

Thank you

Na khensa

Baie Dankie

Ndi a Livhuwa

Ke ya leboga

## REPORT ON THE ANNUAL BUDGET FOR THE 2012/2013, 2013/2014 AND 2014/2015 FINANCIAL YEARS

### Report by the Chief Financial Officer

1. It is stipulated by Section 16(2) of the Local Government Municipal Finance Management Act 56 of 2003 (MFMA) that the Mayor should table the annual budget for the 2012/2013, 2013/2014 and 2014/2015 financial years at a council meeting at least thirty (30) days before the start of the budget year.
2. The format and contents of the annual budget are prescribed and regulated by Section 16 and 27 as contained under chapter 4 of the MFMA, as well as National Treasury circulars 51 issued in line with the MFMA.
3. The annual budget must be divided into a Capital and Operating Budget in accordance with international best practice and must be scheduled in a prescribed format :
  - Setting out realistically anticipated revenue for the budget year from each source.
  - Appropriating expenditure for the budget year under the different votes of the council
  - Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year.
  - Setting out estimated revenue and expenditure by vote for the current year and actual revenue and expenditure by vote for the financial years preceding the current year.
  - As a statement containing any other information required by Section 215(3) of the Constitution or as may be prescribed.
4. The annual budget may only be funded from:
  - Realistically anticipated revenues to be collected.
  - Cash backed accumulated funds from previous year's surplus not committed for other purposes.
  - Borrowed funds, but only for the Capital Budget referred to in Section 17 of the MFMA.
5. The annual budget herewith presented is a credible budget:
  - That funds only activities which are consistent with the revised IDP.
  - That contains revenue and expenditure projections that are consistent with current and past performance.

- That ensures that the financial position is maintained and obligations over the short, medium and long term are met.
  - That ensures the services delivery and performance targets are met.
6. The annual budget consists of three (2) main Schedules each consisting of documentation prescribed by legislation: A1 Schedule of Municipal Budget and A2 Budget regulated charts.

#### 6.1 ANNEXURE A

The following appear under this:

- 6.1.1 The resolution approving the budget of Council as reflected in the following Quality certificate.

#### 6.2 ANNEXURE B

- 6.2.1 Recommendations on the imposing of assessment rates and setting tariffs and charges for the various services of the 2012/2013 financial year as reflected under schedule 8 – Proposed rates and tariffs.

#### 6.3 ANNEXURE C

The annexure reflects budget related Tables

- (i) Budgeted Financial performance (Rev and Exp by standard classification) table A2
- (ii) Budgeted Financial performance (Rev and Exp by Vote) table A3;
- (iii) Budgeted Financial performance (Rev and Exp) table A4;
- (iv) Budgeted Capital expenditure(Vote, Standard Classification & funding) table A5
- (v) Budgeted Financial Position table A6;
- (vi) Budgeted cash flows table A7;
- (vii) Cash backed reserves/accumulated surplus reconciliation table A8;
- (viii) Asset Management table A9;
- (ix) Basic service delivery measurement table A10
- (x) And Annexure D which reflects the Budgeted related supporting Tables from Table SA1 to SA37

Total Income		156 894 981	
Total Expenditure		171 498 981	
<b>OPEX</b>	181 671 165		
Less: Under The Line Items	10 172 184		
- Depreciation	6 746 964		
- Loans Capital Redemption	2 232 344		
- Bad Debts	1 192 876		
Surplus / (Deficit)		-14 604 000	
- MIG		14 604 000	
<b>CAPEX</b>		<b>14 604 000</b>	
Salaries	56 768 470		33%
General Expenses	92 329 491		54%
Repairs & Maint	15 943 757		9%
Capital Repl Fund	4 047 762		3%
Loans Interest	1 970 148		1%
Equitable Share		31 447 000	
Finance Management grant		1 250 000	
MSIG		800 000	
EPWP		1 000 000	
MIG		14 604 000	
<b>Tariff Increases</b>			
Rates			6.0%
Electricity			11.03%
Water & Sewerage			6.0%

## **Budget Overview of Musina Local Municipality**

### **Annual Budget process**

- On the 31<sup>st</sup> of August 2010 the Approval of IDP & Budget time schedule was taken to council for approval.
- On the 7<sup>th</sup> of April the Tabled Budget, SDBIP and IDP will be taken to council for cognizance and approval by, Mayor.
- From 8<sup>th</sup> of April after the Council approval of the tabled Budget the Budget will be made available to public for comments.
- On the 26<sup>th</sup> of April 2011 there will be Budget and IDP Public participation meeting to talk to amend and append the changes made on the Budget & IDP while it was put for public comments
- The method employed to provide information on the budget to the community will be our Website, person to person in the CFO's Office and utilization of various forms of Media
- Ward committees to be utilized when dealing with public comments.
- Consultation Dates per wards( Ward 1 = 24/4/2012, Ward 2= 22/4/2012 Ward 3 = 15/4/2012 Ward 4 = 15/4/2012, Ward 5 = 18/4/2012 and Ward 6 = 22/4/2012)

### **Alignment of Budget with the IDP**

- See schedule SA4 to SA6

### **Measurable performance objectives and indicators**

- See schedule SA7

### **Overview of budget – related policies**

Musina Local Municipality have the following budget related policies in place:

1. Asset management policy;
2. Budget policy;
3. Cash management and investment policy;
4. Credit control policy;
5. Indigent policy;
6. Investment policy;
7. Overtime policy;
8. Supply Chain Management policy;
9. Risk management policy;
10. Tariff policy; and
11. Property Rates Policy



## **Overview of Budget assumptions**

- May you kindly note that the Budget assumptions were made on Schedule SA8 of the Tabled Budget.

## **Expenditure on allocations and grant programmes And Capital expenditure details**

- Funding from MIG for 2012/2013 is amounting to = R 14 604 000
- Equitable Share = R 31 447 000
- MSIG = R 800 000
- FMG = R 1 250 000
- Various projects to be included by the Technical Manager prior to approval of the Budget.

## **Allocations and grants made by the Municipality**

- No grants to made available or made by the Municipality

## **Councilors allowances and employees benefits**

- **Councilors Remunerations**

Mayor	= R 736 000
Chief Whip	= R 557 000
Other Councilors	= R 1 988 000
Total councilor remunerations	= <b><u>R 3 281 000</u></b>
- **Employee benefits**

Salaries and wages	=R 39 159 000
Contribution to UIF, Medic, & Pension	=R 9 433 000
Travel, motorcar, accom & other Allowances	=R 2 481 000
Housing benefits	=R 474 000
Overtime	=R 1 940 000
	<b><u>R 53 487 000</u></b>

## **Annual Budgets and SDBIP**

- To be attached to the Budget documents upon submission to Council

## **Service delivery agreement with the Entities**

- Applicable to Municipalities that has entities that are rendering municipal services
- Entity no longer operational

## **Contracts having future budgetary implications**

- See completed schedule SA33 for contracts

## **Legislation compliance status**

- GRAP Compliance with the compilation of this Budget Document

- A medium term expenditure framework for a period of 3 years was implemented on the operating budget. The capital budget was drafted over a 3 year period in line with the integrated development plan (projects).
- Cost analyses (Cost and management accounting) on employees, vehicles etc. was implemented to render a cost effective service to the community; which analyzed break even points, deficit and surpluses for the implementation of affordable tariffs.
- Effective cash flow management is being maintained on a daily basis.
- Incorporate IDP with operating and capital budget.
- Limiting expenditure to maximum income realized.
- Control over all assets (asset register).
- Insurance of all assets (asset register) at replacement value; yearly update.
- Monitor monthly loss in line – electricity.
- Monitor and evaluate monthly loss in revenue.
- Analyze monthly financial information (Financial Committee).
- Implementation of a uniform tariff system in both Musina and Nancefield.

#### **Municipal Manager's quality certificate**

- Is attached and sign by MM just after the Adoption Budget 2012/2013